The Transition Penalty: Unemployment Among Recent Immigrants to Canada

CLBC Commentary

Clarence Lochhead
Canadian Labour and Business Centre

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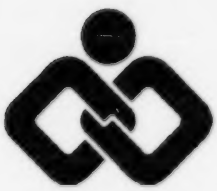

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This year, more than 200,000 new immigrants will come to this country. They come from a variety of the world's nations, bringing with them a rich palette of culture, language and tradition. They come for a variety of reasons, but all are looking to create a better life for themselves and their families, and contribute to the prosperity of their new home – Canada.

Immigrants arrive with high expectations. They have heard good things about this country. Canada has a reputation as one of the worlds most developed, both in terms of its capacity to generate wealth, its provision of services, and its twin traditions of compassion and fairness. Indeed, the OECD consistently ranks Canada, its provinces and cities as among the best places in the world to live.

Upon arrival in Canada, immigrants experience a "transition period": a period of time in which they must establish their self-sufficiency within the social structure. Finding a place to live, learning and adapting to new laws and regulations, and of critical significance – finding gainful employment. These are among the many dimensions that define a successful transition.

There are troubling signs, however, that the period of transition is growing longer, and might better be known as a "transition penalty". Last week, Statistics Canada released a new report[1] based on Census data showing that poverty rates for recent immigrants – those who have been in Canada for five years or less - have risen substantially since 1980 (from 24.6% in 1980 to 35.8% in 2000). Increasing poverty rates were evident for newcomers in all age groups, at all education levels, of all language backgrounds, and in all family types. What the rising poverty numbers tell us is that the transition is becoming more difficult for new arrivals.

One reason for the increased poverty among today's immigrants is that they are having more difficulty gaining access to employment. Evidence for this assertion is shown in Figure 1, which shows how the unemployment rates of recent immigrants differ from those observed two decades ago. The data is from the 1981 and 2001 Census.

Generally, new immigrants to Canada have very high levels of unemployment. This makes sense, as they are just beginning the job seeking process. As their time in Canada increases, their level of unemployment falls, eventually coming to match the level of unemployment found among the Canadian-born population.

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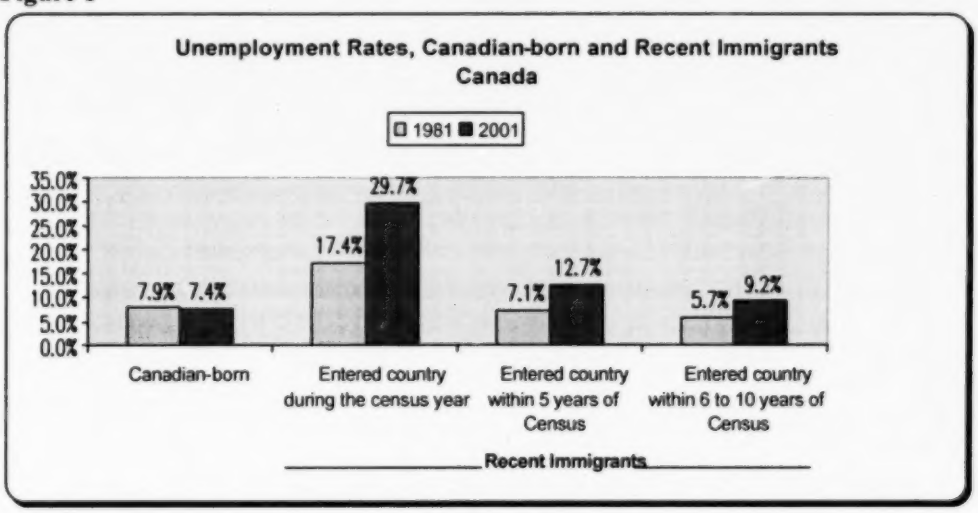
[1] *The Daily* Thursday June 19, 2003. http://www.statcan.ca/Daily/English/030619/d030619a.htm

Twenty years ago, the unemployment rate among those immigrants who had arrived in Canada during the 1981 Census year[2] was 17.4%, much higher than that of the Canadian-born population (7.9%). However, within five years in Canada, the immigrant unemployment rate had fallen to a level just *below* that of the Canadian-born population (7.1%). Fast forward 20 years, and things seem to have gotten worse, a lot worse.

The 2001 Census tells us those immigrants who have been in Canada for less than five months face an unemployment rate of roughly 30%. More troubling is that within a five year period, recent immigrants still have an unemployment rate *significantly higher* than that of the Canadian-born population (12.7% compared with 7.4%). Indeed, it now takes more than 10 years in Canada before the observed unemployment rate of immigrants falls to the level found among the Canadian-born population.

Figure 1



If the length and severity of the "transition penalty" has increased – higher rates of unemployment combined with an increasing time period need to match the benchmark set by the Canadian-born population - why should we care?

Apart from issues of equity, health and well-being, or social cohesion, all Canadians should be concerned about a deepening transition penalty because it constitutes a large and growing under-utilization of labour and skills, which are particularly important in light of growing concerns about skill shortages.
The Canadian labour force is growing more slowly, and is ageing. Movement of the 'baby boom' generation into their late 40s and 50s, combined with fewer young labour force entrants has meant that Canadian workers 45 years of age and over formed an

[2] Because the Census is carried out in May, this group of immigrants will have been in Canada for less than five months.

increasing share of the labour force during the 1990s. In 1990, this group formed about 26 per cent of the labour force, but by 2002 its share had risen to 34 per cent[3]. In the context of these demographics, immigration already accounts for the majority of Canada's labour force growth, and in coming decades is expected to account for all labour force growth[4].

The potential for a large and rapid exit of retiring workers in the coming decade has raised concerns in many quarters about current and future labour shortages, especially of skilled workers and credentialed professionals. Industry associations and sector councils, including those in health care, education, construction, transportation, and manufacturing, are currently examining the issue of skill shortages, and developing strategies to address human resource requirements. In fact, Canadian Labour & Business Centre surveys reveal a sharp increase in concern with skill shortages throughout the economy[5].

An increasing transition penalty for immigrants is exactly opposite to one of the central objectives of our national immigration policy, which is to seek out skills from around the world and put them to use as quickly and effectively as possible.

Few countries have Canada's experience and success attracting and integrating immigrants into their economy. We already know how public policy can contribute to more successful integration, for example:

- Assist immigrants in locating and accessing relevant information about the standards and skill requirements within Canadian occupations, before and after they arrive here;
- Help immigrants, employers and learning institutions evaluate skill competencies;
- Facilitate the recognition of foreign obtained certifications that will allow immigrants to put their skills to maximum use;
- Direct and coordinate skills upgrading or bridge training programs;
- Inform employers about the tools and processes available to assist them in the hiring and training of foreign trained workers;
- Support the introduction of immigrant workers to the environment and culture of Canadian workplaces through mentoring and other programs.

To develop these important resources, we need not start from scratch. Across the country, governments, cities, aid agencies, unions and businesses are engaged in highly innovative and successful initiatives. Unfortunately, the networks are not in place to harvest the lessons learned or showcase the successful outcomes. We need to facilitate collaborative partnerships and alliances that will make effective use of existing institutions, expertise, and experience.

Two weeks ago the Canadian Labour and Business Centre held its 62nd Meeting of the Board of Directors. During the Board Forum, members were presented with the initial

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3 Statistics Canada, *Labour Force Historical Review 2002*. CD-ROM Catalogue 71F0004XCB.

4 See CLBC Handbook, Skills and Skill Shortages, available on the CLBC website.

5 *Viewpoints 2002: Skills and Skill Shortages*. Available for download from the CLBC website.

results of CLBC's project on foreign-trained workers. Working in partnership with United Way Ottawa and World Skills (a municipal level not for profit immigrant servicing agency), the project is developing a community based model to facilitate labour market integration of skilled workers in specified occupations, including nurses, teachers, and bricklayers. Board members heard how the project has brought together representatives from the federal government, the provincial government of Ontario, the city of Ottawa, professional associations, the social planning council and others, to consider strategies needed in each of the occupational groups. The project has also been formally recognized as a component of the city's overall planning process. This is an innovative project with great potential. But it's not the only one.

CLBC Board members, including representatives of business, labour, colleges and universities, and federal and provincial governments expressed their interest in the issue, cited other examples of innovative practices and approaches taking place across the country. They acknowledged the critical importance of exchanging information about these best practices[6], and mobilizing knowledge in a practical way so that it leads to action and change. Such efforts would, in their collective view, make an important contribution in addressing a variety of issues relating to skills development and learning, including the utilization of immigrant skills.

Clarence Lochhead is a Senior Researcher with the Canadian Labour and Business Centre.

Please visit the CLBC website at www.clbc.ca for more information about the labour market integration of immigrants, including provincial data pertaining to the transition penalty and further details on the CLBC/World skills/United Way project on foreign-trained workers.

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[6] See the Best Practice link on the CLBC website.